

Minutes Of The Board Of Trustees City Of Cincinnati Retirement System December 2, 2004

The Chairman called the meeting to order at 1:30 p.m. with the following members present:

V. Daniel Radford, Chairman
William Moller, Secretary
Valerie Lemmie, City Manager
Bernadette Watson, proxy for Mayor Luken
John Bowling
Brian Pickering
Marijane Klug
Michael Rachford
Ely Ryder
Marvin Hawkins, proxy for John Cranley

Member/s Absent
Joe Harrison

The Chairman called for a motion to approve the minutes of the November 4, 2004 Board Meeting. The motion was made by Mr. Bowling seconded by Mr. Pickering, and carried by the Board. The minutes were approved as prepared by the Secretary.

BENEFITS COMMITTEE

Mr. Rachford reported that the Benefits Committee's meeting did not have a quorum for the meeting scheduled that was for November 30, 2004, but presented the following members requests for the Boards approval.

1. Application for Ordinary Retirement December 4, 2004: Total – 13

NO.	NAME	DEPARTMENT
38644	Richard Bedgood	Health
40347	Terry Stockleman	MSD
40623	Carol Cantor	University of Cincinnati
41173	Sharon Smith	University Hospital
41656	Stephen Schriewer	University of Cincinnati
41888	Karl Graham	Public Services
41950	Robert Litner	Water Works
41988	Cary Schmidt	Public Services
43596	Carol Cartier	Health
45448	Darlene Kleman	University Hospital
48991	Jerry Weingartner	Public Services
51414	Joan Howard	Police
61031	Bessie Helm	Health

2. Application for Retired Members Deaths: Total – 12

3. Application for Ordinary Death Benefit Benefits: Total – 1

NO.	NAME	DEPARTMENT
50358	Fred McClendon	MSD

Mr. Rachford made a motion for the Board to accept the report of the Benefits Committee. The motion was seconded by Mr. Pickering and carried by the Board.

INVESTMENT COMMITTEE

Mr. Moller reported that the Investment Committee did not meet in November 2004.

SECRETARY'S REPORT

Mr. Moller reported that as of October 31, 2004 the asset level of the fund was \$2.36 billion, a year-to-date increase of 2.85%. Mr. Moller also commented that, based on preliminary data supplied by the custodial bank, the year-to-date investment returns for the total fund are estimated to be 6.6% as of November 30, 2004.

Mr. Moller also reported that as of October 31, 2004 the actual asset allocation for each asset class is within its target allocation bands, so no rebalancing recommendations were made.

The Secretary submitted the following report:

1. Resolution for Enrollment of New Members – Total: 39
2. Resolution for Return of Contributions & Death Benefits– Total: 56
Amount: \$327,821.52
3. Resolution for Loans to Members – Total: 54 Amount: \$575,679.68
4. Report on Deaths of Pensioned Members – Total: 25
5. Report on Military Service Credit prior to Membership - 3

The Secretary submitted the following vouchers for payment:

PAYEE	AMOUNT
Institutional Investors Inc. – Subscription renewal for Jack Walsh	\$350.00
ABS Business Products Inc. – Monthly rental base rate for copier	\$238.50
Assured Micro Services – Storage of CRS files	\$100.00
City of Cincinnati – Treasurer – Cinsy billing for 2004	\$56,968.97
Mae Consulting Inc. - Professional Services Rendered	\$202.00
City of Cincinnati - Communications Technology Services – Telephone services for October 2004.	\$257.00
All Star Personnel Inc. – Temporary Personnel Services	\$454.68
Edwin Volpe – Reimbursement for conference expenses	\$25.00
John Andreyko – Amount due for back pension payments -	\$36,221.92
John Andreyko and James McCarthy – Attorney fees due	\$76,500.48
City of Cincinnati – Division of Stores – Billing for items for November 2004	\$107.52
All Star Personnel Inc. – Temporary Personnel Services	\$644.13

The Secretary reported that at the close of business November 30, 2004, there was in the Treasury to the credit of the Retirement System the amount of \$8,696,851.31.

Asset Valuation:

- December 31, 2003: \$2.29 billion
- October 31, 2004: \$2.36 billion
- YTD Increase (Decrease): 2.85%

Current Asset Allocation: (Policy Objective)

- Domestic Equity: 49.5% (50%)
- International: 13.8% (13.8%)
- Fixed Income: 35.9% (34.2%)
- Alternative Assets/Treasury Cash: 0.8% (3%)

PENDING BUSINESS

Asset/Liability Study – Plan Design Changes

Mr. Moller discussed the comprehensive proposal on plan design changes that the Board should consider in order to improve the financial health of the Retirement System. Mr. Moller first introduced this motion at the October 7, 2004 meeting, and at that time Board

members were invited to comment on this plan as well as prepare alternative recommendations.

Mr. Moller discussed the plan design changes that have occurred in the past few years. Mr. Moller stated the costs of the multiplier increase, adding dental & vision coverage, increasing the COLA, and the cost of health care have increased the system's liability. The Board has hired a consultant to conduct an asset liability study, which has indicated the CRS is facing some significant funding issues over the next 20 years. As a result of the study the Board found that there would be a significant number of employees retiring in the next 5 years; approximately 23% of active employees or 800 people who will be eligible to retire. This creates a significant liability that the City and the Retirement System will be facing in the near future.

Mr. Moller summarized the motion that he presented to the Board in October 2004. He stated that the Board has been dealing with this issue since the beginning of 2003. Mr. Moller stated that the plan assumptions made a few years ago are no longer valid, Mr. Moller's proposal satisfies the objectives that Mr. Radford presented to the actuary when they began their review on May 2004. These objectives were to present recommendations that would enhance the fund long-term financial health of the system while:

1. Preserving the pension benefit and COLA, and focus potential changes on the health care benefit.
2. Protect the older retirees who would be more vulnerable to increases in health care costs.

Mr. Moller reported that the Actuary has prepared six presentations for the Board, which indicates the plan will remain under-funded if no action is taken.

Mr. Radford distributed copies of his comments regarding Mr. Moller's motion. Mr. Radford stated that the Board has a responsibility to deal with the tough issues now and maintain the financial health of the CRS.

Mr. Ryder distributed an outline to the Board with comments regarding Mr. Moller's proposal.

After a lengthy discussion, Mr. Moller presented the following motion to the Board:

- 1) I move that the Retirement Board accept the proposal by the Board dated September 30, 2004, to be circulated for comment;
- 2) I further move that the Board accept comments on the proposal for a period of 30 days at which time the Board vote on the proposal or on the proposal as amended;
- 3) I further move that the Board vote on a proposal that fully funds the pension liability and funds the health care liability at 80%;
- 4) And that the sum of the employer and employee contributions to the fund is no less than that required to actuarially fund the plan.

The motion was seconded by Mr. Ryder and unanimously approved by the Board.

Mr. Bill Reeves, a city retiree, was given the opportunity to address the Board regarding the proposed changes to the Retirement System. Mr. Reeves suggested that the Board proceed in an open forum in making changes and cited the Ohio Public Employees Retirement System (OPERS) process as an example to follow.

NEW BUSINESS

Mr. Radford thanked Mr. Fink, who is resigning from his position as Pension Fund Manager, for his 4 years of service to the Retirement System and the Board.

The Board resumed in Executive Session at 3:05 p.m.

The Board agreed to hold a working meeting on Thursday December 16, 2004 (Kingsgate Center) for further discussion on this subject.

ADJOURNMENT

The meeting was adjourned at 3:20 p.m.